Determining Income for the HOME Program

Shawna LaRue Moraille: We have one this week. We also have one next week. It's a repeat of today's session. So if you are registered for today and next week, we are canceling registrations after this webinar, because we have a lot of need for this training. We've actually accommodated more and more lines as demand has increased.

So we have today's presentation for approximately two hours and then we're going to do office hours tomorrow starting at 3:30 Eastern. So hopefully you can join us for that and if we have additional capacity and you're not signed up for that office hour, you can certainly do so after the presentation.

So we'll go ahead and roll into the material. Again, I work at ICF. I have been doing income eligibility training since 2001, sort of a long time out there working in the field, doing training, lots of income documents I reviewed over time. Prior to joining ICF, I worked for a large urban county.

I worked for a couple of national associations in D.C. working community development and affordable housing. I've been working on the ICF HOME team since 2001 and I am one of the original authors of -- we've always had a one-day income clinic or we called it [inaudible] income. I was one of the primary authors along with an old colleague of mine, Frank Benger [ph]. So happy to be here.

I'm also joined by Les Warner from ICF. Les, do you want to say hello?

Les Warner: I'm just going to be serving as backup here. So I will be handling questions as they come in through the question and answer box.

Shawna LaRue Moraille: Okay. Thanks. And Les has a long career working for the State of Ohio and he is working day to day with HUD's office of affordable housing program.

So I'm really thankful that Les is here and he will be pausing -- we will be pausing momentarily throughout the presentation today to see if there are any sort of common questions that we want to answer quickly. Those that maybe need a little bit more time we will address tomorrow during the office hours.

I'm also joined by my colleague Chantel Key. Chantel, would you like to say hello and walk through the question options?

Chantel Key: Sure. Hello. So like Shawna was saying, I just wanted to go over some options for you today of answering your questions. So on your right-hand side, you will see the WebEx toolbar.

Now, if you have any content-related questions during anytime throughout the webinar, please send your question through your Q&A box and please make sure to choose, in the dropdown box, all panelists. So then all of us would be able to see your questions.

Now, if you have any questions today -- any troubleshooting questions, any audio, any video issues that you may be experiencing -- please send them to me, your host, in the chat box and please select host so I can chat back and forth with you to try to get those problems resolved.

So again, any questions -- any content-related questions throughout any time of this webinar, please send them through the Q&A box and any troubleshooting questions, please send them to me, your host, directly through the chat function. Shawna.

Shawna LaRue Moraille: Thanks so much, Chantel. Appreciate it. All right. We're going to go ahead and roll into a couple of real quick polling questions. The first question is we really want to gauge the number of years of experience with HOME. So please indicate if you have five -- one to five years, sorry, five to 10 years or 10 years or more. And I believe the polls are open right now.

I know some of you have already written in and said hello to me. So some of you are possibly at the 10-year plus mark. So we'll see.

Chantel Key: The poll will be closing in about 15 seconds.

Shawna LaRue Moraille: Okay. Go ahead and read the results. Thank you. So most of you have one to five years, you're in the right place. This is a basic income eligibility course and then a couple of the other categories are split between five and 10 and over 10. Let's go to question number two.

We really want to know what your familiarity is with income eligibility. Are you a novice? Do you consider yourself a wiz at part five? Are you an IRS tax god or goddess or are you -- do you have working knowledge of both part five and IRS? So just take a second and make a choice.

Chantel Key: The poll is closing in about 16 seconds.

Shawna LaRue Moraille: Okay. You are in the right place. Most of you are considered a novice, there's a handful of you that consider yourself wizzes in either category. I'm happy to have more part five wizzes here. And then some of you have working knowledge of both part five and IRS.

Maybe you're a supervisor or you're a manager and you have other staff who are attending this course or possibly you're going to train some others in your jurisdiction or maybe some partners. So let's go ahead and roll into the agenda. So we have a few different topics to cover today. You're going to see this graphic a few times.

The first topic that we're going to cover is generally some income basics. And we wanted to remind you of a couple of the HOME regulations as we get started. It's always a good idea to read the definitions within the HOME regulation, which is provided here. Income determinations and adjusted income are in 92.203.

We have income targeting for both rental and home ownership programs. Those are provided in 216, 217 and then of course, we do need to talk about recordkeeping, income eligibility documentation is, if not, one of the more important pieces to have as part of your files. So we wanted to make sure that we refer to those.

So let's roll ahead with income basics. So most of you probably know for the HOME program, 100 percent of the folks that you're serving in the field are below the low HOME limits. So at 80 percent of area median income and below. And so you need to make sure that you're doing income eligibility for every single assisted households from tenants to buyers.

You know, every single person that you're serving in the HOME program must be income eligible. You're going to choose a definition of income. We're going to talk about part five, which is also known as the Section 8 definition and we're going to talk about IRS.

And you need to have those definitions codified in your written program procedures and any type of written agreement that you have with your partners. I mean, you need to define it. You can't just assume that your partners are going to be able to calculate income eligibility without you telling them it's part five or its IRS definition.

So just a reminder here, not to scare everyone, but it is one of the most important pieces of the HOME program. You have to have income documentation for every household that's served. If not, HUD may ask you to pay the money back. So a couple of key terms, low-income, I mentioned as we got started here, that is -- that are --

Those are those folks that are at 80 percent of area median income. There are a couple of metropolitan statistical areas and really high-cost areas outside of New York City, some in California, etc. They're allowed to use some uncapped income limits. So usually folks know when they're working in their jurisdiction if they have uncapped income limits.

But everyone else is at 80 percent and below in terms of area median income. We do have some deep targeting that we need to do for some of our programs that we administer. So we're going to talk about very low incomes. Those are folks below 50 percent of area median income. So we're talking about those that are typically in rental housing situations.

And then finally, extremely low income, this is a definition actually borrowed from the consolidated plan regs at 24 CFR Part 91. Those are folks at 30 percent of area median income and this is not the same as the Section 8 definition. Hopefully you have received the memo that HOME has its own income limits.

They're the same as CDBG and we always make sure that those are provided to you on the HUD Exchange. So just wanted to make sure that we point that out. So we're talking about gross annual income, we're talking about this is what you use for program eligibility looking at all household members.

Again, we have two definitions we can choose from. And then we also need to talk briefly today, but it is important for some programs that we talk about adjusted income, which is what is used in tenant-based rental assistance. So they look similar, but they are entirely different. Gross income, for example, is the gross amount of Social Security.

If we're using a part five definition, adjusted income is things that include some deductions that are taken off of the household's income. So when do we use gross income? So we want to make sure that people are eligible for our program. So that's when we use it. We also have to ensure that we're doing deeper targeting of our funds for rental and tenant-based rental assistance.

So we have two rules here. The first one is the program rule. We need to ensure that 90 percent of the households that we're serving are at 60 percent or less of area median income and it's at initial occupancy. And so that's for rental and tenant-based rental assistance. That is for our entire program.

That's for every single program year that gets tested. Then second, for rental only, we have the project rule where if we have five or more HOME-assisted units, then 20 percent must be at or below very low income, which is the 50 percent of area median income and that's at initial occupancy and that's every single year over the period of affordability.

So most of the time we're talking about gross annual income. We're going to spend the majority of our time on that today.

Probably two-thirds of the presentation is going to be on gross income, however, we do need to know what adjusted income is if we're doing tenant-based rental assistance or probably the second most common is we need to determine what rent to charge if we have folks that are above 80 percent or the low-income limits in HOME only rental projects.

We need to figure out what their ability to pay their rent. And then we might have folks on this call who might be doing relocation and other types of activities, such as might have displacement, things like that where they might need to know adjusted income, but the majority of the time we're going to talk about annual gross income.

So we thought we'd put together sort of a flow chart here kind of stepping into what are the four basic steps of gross income and kind of walk through what each of these are. So here's your flow chart, but we have a couple slides on how to do this. So I always say, those of you that have known me for a long time, some of you are pen pals.

So Steve, I know that we're pen pals out there in terms of all things income. But I always start with, before we get into any type of definition, when I work with HOME PJs, I want to stress how important it is to have a good application that you're using for all your HOME activities.

And when I say a good application, it's using fields and using terms that is good for any type of household. So it includes all household members, it also includes all ages for household members.

So using terms like borrower and coborrower, which we have seen in some applications really doesn't help in terms of figuring out are there all household members represented. So household member one, household member two, things like that is helpful.

Good applications also have extensively provided all information on income and asset sources, depending upon the income definition that's chosen. So you have fields associated with that on your application for income and asset sources. We -- the other thing that I often talk about too is signed declaration language.

So that's the terminology that I use for that I hereby swear, everything is sure and accurate to the best of my ability, etc., under perjury of law. Basically, it is the most common item that you see at the bottom of an application or you might have a sworn income and assets statement or something like that where you might use that.

So the application is incredibly important. I will talk about that as we move through the presentation. Some of you might be using third-party verification.

So if you use third-party, such a verification of employment to an employer, you need to make sure that you have a release from the households and that release will provide you with the fact that the household member is saying, you are authorized, home PJ or CHDO, whomever, that you can access information about my income and asset sources.

And then finally, through the application process, hopefully you're asking questions about raises or other anticipated income changes from the individual or household that you're serving. So couple things in step one. Step two is all about what income definition did I choose and how am I using it in my particular activity.

And we'll talk more about that in a separate section. But PJs have to make sure that they're looking at that household's income eligibility for that definition today and taking a snapshot of today's circumstances and projecting forward for 12 months.

So you're assuming that if Mr. and Mrs. Jones live together and their adult son is living with them for the summer, you're looking at their adult son's income as well as Mr. or Mrs. Jones or maybe their -- you know, one of their mothers lives in, etc. So you're looking at the circumstances.

Just because we hear that somebody may move doesn't mean that they've moved today and we're looking at a snapshot. This is probably also a good time to say when you're looking at that snapshot, things do change over time and one thing that we don't see often enough in a PJ's policy is having a reapplication, when can they reapply to you?

Can they reapply to you in six months, can they reapply to you in a year if their circumstances change? That's definitely something you should check in your offices.

So we're looking at the snapshot of the household and it's good for six months, meaning that you have to execute a lease if we're talking about rental or you have a HOME agreement if we're talking about homebuyer within that six-month period. So unlike Section 8, HOME is a little bit different. We're simply looking at --

For something like tenant-based rental assistance or rental, we're really looking at it one time in a year and then we're revisiting it before the date the following year. So you do not need to update things if things change. I still find PJs who do that for TBRA and you do not need to do that. That is your choice, your policy.

So things will change in the next 12 months. So always keep in mind pay raises over time, bonuses, things like that and you really get -- have to get to know the type of positions or jobs that people have in your community and stay on top of those income sources.

So step three in our process is we're looking at our calculation of income for the household and comparing it to the income limits. Hopefully you got the memo that the income limits were released and are effective June 1st.

And we also have provided here some larger household limits if we do have 9 through 11 households what the calculation is there and it's rounded to the nearest $50; okay? So if you do the calculation yourself, if it's above $25, up to $50, then you're going to be rounding it up to $50. If it's below $24, you're going to be rounding it downward; okay?

So if you don't want to have to go through this pain, the income calculator that I will show you later in the presentation, and we're definitely going to do some things in the office hours tomorrow, we do the math for you. What could be easier? Just simply use the CPD income calculator.

Finally, step four we're going to document the files, again, documentation is what we're looking for. So this is an example of what would be for a rental applicant file. I have a couple of notes here for rental versus TBRA. So obviously, an application.

We want to understand how many household members or anything else in terms of eligibility, their rent, low or high-home rent designation, the calculation worksheet, how income was verified, making sure that you get paystubs, things like that. All of that is important. If there was any type of rent subsidy, this is tenant-based rental assistance only.

We'd have that adjusted income calculation. So that tenant lease is, again, where we're going to test the six-month requirement to make sure that you're calculated their income for the household by the time he's executed a lease. And then you're going to have recertification and then documentation of termination as necessary on any type of rental applicant file.

Homebuyer and homeowner applicant files, similar types of things, obviously, the application. We want to know about all household members. We want to make sure that we have the calculation worksheet and also documentation of how income was verified. And then finally, a written agreement. Hopefully those of you have caught the memo over time.

Anytime you are working with a HOME-assisted household in homebuyer or owner-occupied rehabilitation you have to have a written agreement in place outside of the note in mortgage. So that written agreement is where we're going to test that six-month requirement. So that was income basics.

I just want to pause here for one second. Any pressing clarifying questions, Les, that you need me to make before I roll into household composition?

Les Warner: Well, there has been a little bit of confusion about uncapped limits and I've just been suggesting to folks that these are not common and that if you thought you were in any [inaudible] where this applied, you probably would want to concern that with your local field office.

Shawna LaRue Moraille: Okay. Thanks. Ten metropolitan statistical areas are pretty slim out there. So thanks for that. So let me know -- as we go through, I'll pause again at the end of household composition. So we talked about the steps related to income eligibility and I really focus or try to focus on the application.

This is sort of the bookend to the application is that you need to understand who's in the household that you're actually serving; okay? So for rental applications, this is who is going to occupy the rental housing unit? For homebuyer, who is going to be occupying a property that you might be providing some type of soft second mortgage or something like that too.

So you need to make sure that as we talk about the application, you really need to look at who is living in the household; okay? So a couple things we wanted to talk about.

So obviously, you're doing income eligibility before you provide the HOME assistance and I mentioned here that six-month requirement, signature of the lease for rental or for tenant-based rental assistance, it would be that tenant-based rental assistance agreement.

And we also talked about an agreement if we're talking about homeowner or homebuyer and that's for existing housing, but if you have homebuyer where there might be some new construction or something like that that might be under-development, it's that contract signature for newly constructed housing.

So if it takes a year for that house to be built, maybe you're a Habitat affiliate or a PJ funding a Habitat affiliate and it's new construction that it can be the contract dates for that newly constructed housing. For tenant-based -- I'm sorry, for lease purchased -- I apologize. For lease purchase, it's the signing of the lease purchase agreement; okay?

So some of you may be operating these purchase programs out there. You do have a short window for that, but it could be something that makes them up in terms of income eligibility and timing. So in terms of all the household people that you're going to count, you're looking at all adults in the households; okay?

So they are going to be living in the rental projects or they're going to be living in a HOME-assisted homebuyer unit, etc. So you're looking at all household members. These are related or unrelated. Family is not used in the HOME program. I know it's regs, folks, for those of you that can recite the regs, but we're really talking about all household members; okay?

For some of the definitions, and part five is one of those, we might have unearned income of minors; okay? So those of you that are thinking I count Johnny who's 12, I count the income earned on his savings account or whatever. That's unearned income for a minor or TANF assistance, which is welfare assistance that might be provided for Johnny.

Again, this is part five. That's unearned income for a minor; okay? But typically, we're talking about all adults unless you're talking about part five. So a couple other folks that we need to talk about in terms of applicant household, we are not counting foster children, foster adults, live-in aids or children of live-in aids.

We are continuing to follow the old technical guide for determining income and allowances in the HOME program, which came out in 2005 in terms of all of those folks. Even though there's been a change in Section 8, we are not using that for the HOME definition. So you don't count them as household members, you don't count their income as well.

Another common question that we receive is unborn children. I always encourage folks on their application to have a question that asks, will your household composition change over the next 12 months and that should help in terms of anyone who wishes to disclose that they are with child. We often get questions about custody of children and when to count them.

So you're going to count them if they are shared custody 50/50. You should see something in like a divorce decree or something like that in terms of counting the -- those children. That is typically how it is done these days for shared custody. In the technical guide, there is some discussion about temporarily absent and permanently absent household members.

Temporarily absent, just a couple ones that are fairly common, active military. We might have seasonal workers who will return after a period of time.

Permanently absent members, somebody who might be living in a nursing home or something like that, the -- basically, for temporary -- temporarily absent you include them, permanently absent it's really up to the head of household to decide.

So if you're working with Mr. or Mrs. Jones and Mrs. Jones is in a nursing home, Mr. Jones, as the other head of household, would decide am I going to count Mrs. Jones as income and her benefits and am I going to count her as a household member or am I going to exclude her as a household member and exclude her benefits?

That's really the choice that needs to be made. So we have sometimes some larger families or multigenerational households. Just make sure that you are up to speed on those larger income limits, etc. and just make sure that we're being open, that we actually understand there are many different types of households out there, not just those that we find to be traditionally served.

We also have possibly those folks that are unmarried individuals that live together. So whenever I come across a boyfriend or girlfriend, make sure they're on the application, which is often why household member one, household member two is much better than borrower or coborrower. And the most of the time they document that they live somewhere else.

They have a lease on their property or they -- you know, they're paying a mortgage on another property or something like that. We do need to make sure that we're documenting that to make sure that we don't need to count them as a household member in our HOME-assisted project or the income or benefits that they receive.

Les Warner: Shawna, before we move on, a couple of questions that have come up about Social Security benefits for children and I think because of talking about the exclusion of income earned by minors is a little confusing here. So this exclusion of income earned by minors is earned as opposed to they have a public benefit, such as Social Security benefits or SSI.

And so that exclusion only counts to if the child and household is working part-time at the pizza place and bringing in some income as opposed to some of these other set of public benefits that might be associated with that child.

Shawna LaRue Moraille: Right. So we count unearned income of minors, we don't count earned income. So when I worked at the Gap or Les said the pizza place some people worked at, maybe that's what Les did in high school, we would not count that; okay?

That's typically not going toward household costs and things like that. Thank you for that. Anything else you want to clarify that was coming in?

Les Warner: We've had a couple of questions about -- for -- you mentioned with homebuyers and this six-month issue and I think if you just want to repeat that about the issue about the clock essentially stopping with new construction, it might be helpful.

Shawna LaRue Moraille: Okay. So we talked earlier about if it's for existing housing, and it might be homebuyer, you need to make sure that if somebody's coming into your program, they make application, do income eligibility today, essentially, they need to have -- you know, within six months for existing housing, they need to have purchased a home-assisted project, they need to have your HOME homebuyer agreement in place.

That's pretty easy to understand. So same rule for rental, it's just a lease. But if it's for newly constructed housing, you could count the date in which they signed that contract to construct that housing. So it might be earlier. So I gave the example of Habitat. Sometimes something takes a long time, not just Habitat, but just like newly constructed homes.

So the HOME program is giving you a little bit of extra time in addition to the six months. It could be much longer than that. So that's why they're looking at the contract to purchase.

Les Warner: It's really linked to when you're committing those HOME funds to the household and where we've had confusion in the past is where we might have committed those HOME funds, they've signed that construction contract, but they don't actually close on that completed unit until sometime later and programs thought, this is longer than six months, I need to go back and recertify that income.

That's not required for new construction, but we've found them eligible at the point we committed those funds to that household and that construction contract was signed.

Shawna LaRue Moraille: Okay. That's a good point. We also get that question all the time, like the bank requalifies. They're requalifying in terms of affordability and make sure that everything is ready to go for closing. You do not need to do this for HOME in terms of income eligibility. Thanks for that.

So we might find this maybe in owner-occupied rehabilitation where we might have a couple that might be separated or divorced. So we're looking for documentation of some type of separation agreement if your state has such a thing or divorce decree, basically showing that they're separated and -- or divorced and living separately might be through a lease or utility bills, etc.

Basically, that they live somewhere else. And then HUD wanted us to mention that they have seen instances of where there might be a spouse that might be deceased. We often collect death certificates, mostly in owner-occupied rehabilitation or something like that. We've seen that type of collection. Some of these are really completely up to you.

These are just our ideas in terms of how we would document and how to make sure that you keep your files as audit-ready as necessary in terms of who is in the households. So just a couple slides here before we kind of end household composition. So we do need to talk about the student rule.

So we had the HOME final rule come out and it clarified what it means in terms of not serving students. So it has never been part of the HOME program to serve students, it's not student housing. That is not part of what the program exists for. We have a lot of needs in our community.

So a couple things that happened with the final rule is that it clarified, and again, the definitions are important at 92.2, is that students under the age of 24 do not qualify as low-income households unless they happen to be independently eligible; okay? So on their own, they're independently income eligible or they might be a member of another income eligible household.

So their household is income eligible. We do have some exceptions. So you might have veterans, we might have folks that are married, including same-sex marriage, they might have a dependent child or this last category is disabled and they received Section 8 as of 2005. Those people are obviously over the age of 24 today, but HOME basically picked up the Section 8 rule.

So know those exceptions. And most people have come up with some type of student form where people fill it out as part of income eligibility. It is for any HOME-assisted household. There's been a lot of buzz about this in rental, because we might have some rules around both for HOME as well as if it's coupled with the low-income housing tax credit.

Tax credits are its own student rule. So basically, any household that we're talking about assisting and this is for income determinations on or after the effective date of the rule, which is August 23, 2013.

And so if we're talking about existing rental households, if they're in place, you're still going to be checking to see if they meet one of the exceptions and if they don't, then when it says grandfathered in, it's essentially like how do I deal with them; okay?

So the way you deal with those that are in place is that you're going to treat them just like you would any type of rental recertification and you are going to determine who's in the household, do they represent a household that's already income eligible, maybe their parents received Section 8 somewhere else and they happened to be part of that household, etc.

So you're going to be treating them in terms of certification or recertification of their income. You're just going to be looking at potentially a larger household than may what we be in front of you in that rental unit.

So you might need to qualify them with their parents who might live in a different jurisdiction and then if they're over income, adjust their rent and treat them just like you would any type of other recertification based upon whether or not they're fixed units or floating units, which are rental rules.

And we can cover this a little bit more probably in the office hour, but there are still some good guides around making sure that you are adjusting their rent appropriately, etc. if they're over income. So we won't do that today given our time constraints.

Anything else that might've come in, Les before I talk about --

Les Warner: Yeah. We've got a couple here that I think it might be helpful. I don't know, I've been kind of typing away here, if you've talked about a policy where we have someone who's expecting a child, but if you can maybe mention that, that would be helpful.

Shawna LaRue Moraille: Sure. And I will say that adults need to hear things a couple times. So I mentioned it earlier, but not everyone might've -- might not have caught up. So it's fine to repeat. I'm happy to repeat myself just not to my five-year-old, because that is painful, but to you, I will repeat.

So we recommend that you have a -- it's your policy as a PJ and if you happen to be a nonprofit on this call and funded by a PJ, go after a PJ. The PJ decides whether or not they want to count unborn children or not. So that's step one.

Step two, I always recommend that you put a question on your application that says, do you expect your household composition to change over the next 12 months? And by having that question, it'll help you with potentially those that are not evident on the application, like a boyfriend/girlfriend or some other person who's not on the application.

It will also help with unborn children as well, because people will often say, I am expecting. But don't ask -- no one asks when they see somebody in person. That is not good; okay? Any other questions or comments?

Les Warner: Yeah. Let me chat a little bit about -- so we've had a number of questions about this sort of six-month issue and I think people are trying to think about how is that going to work with my project.

So for instance, folks were talking about, in both homeowner rehabilitation and also homebuyer, that they might have a process where maybe they accept applications and they're screening them to see are these folks actually eligible for their program.

Shawna LaRue Moraille: Oh, like sort of like preapplication or something like that without doing full income eligibility. I got it.

Les Warner: Well, they -- I think they're actually doing full income eligibility, but they are then starting that process of determining -- for instance, if we were doing homeowner rehabilitation, we might then be going out starting our process to inspect the unit, write up our specifications coming up with a cost estimate on that.

Maybe doing our lead testing and coming up with that scope of work also. So it may be that there's some time lag before you actually determine am I actually going to assist this particular household and then setting that up within IDIS as a commitment of funds for that particular household.

So I think there are folks who have been asking questions about it's six-month agreement and trying to think about handling this.

When we're talking about they must be income eligible at the point that you commit the funds, the assumption here is that that HOME agreement with that household is signed at the point that you've completed all of the work to determine is this a household I'm going to be able to assist, what's the amount of money that I might need.

So for instance, a homebuyer might be found eligible income-wise, need to identify a house, complete homebuyer counseling, do the underwriting and only at that point would we actually be signing that HOME agreement and committing a specific amount of HOME funds for that household.

And that's at the point where we need to make sure that that income is current. And under that definition, current means it can't be older than six months. So the PJ, the subrecipient may need to have a process to double check if they did that income determination earlier to begin to start that process with that household.

They need to be able to check those dates and make sure is that still valid or if it's gone past that six-month timeline, they're going to go back and update that and recertify income before they actually commit funds to that household.

Shawna LaRue Moraille: Okay. Well, thanks for that. Any other questions that have come in?

Les Warner: I think that's probably enough for the moment.

Shawna LaRue Moraille: Okay. Thank you. So let's roll into our third topic, verification of income. So we have a couple of things that we need to discuss in terms of the actual documentation. So in the HOME program, it was codified in the HOME final rule that we really need to look at two months of source documentation.

So source documentation includes paystubs, wage statements, Social Security letter, the actual bank account statements, things like that. Those are examples of sources. That is what is required. You would determine the number of paystubs you want to look at, that type of thing that would cover that two-month period.

Some of you really like third-party documentation. Third-party documentation by itself is not allowed in the HOME program. It can accompany your source documentation. So if you like a verification of employment from an employer, then you can use that, but it must be accompanied by paystubs, for example.

Some people ask about tax returns, particularly those of you that might be using IRS definition. So a couple things about tax returns, and I like tax returns, it helps give me a little bit of information about the household, a little bit more sometimes, but basically, you can use tax returns as a type of documentation if circumstances have not changed since filing.

So often, we can use tax returns the first part of a calendar year if we have all household members represented, income sources have not changed and they're likely to remain the same for the next year. So that is when we can actually use them. I find that using the tax return can often be helpful for income eligibility for self-employment, income or other sources of income.

Also, household members, whether or not somebody is being claimed on a tax return helps with custody as well. And then a good reminder here is that sole documentation of tax returns, again, if it's in a short little window, might be fine, but you do need to have a certified copy from the IRS, which is provided through the use of a form that the household fills out called a 4506.

And there is a fee associated with it. Some people have also used a 4506T, which is free and the T is for Transcript. So you can use it. I often don't see it as sole documentation unless it's the IRS definition used. I more see it as complementing the household income and asset sources for that particular household that I'm serving and it tells a little bit more about who lives there.

So I covered a little bit of this already besides household composition, in terms of the IRS and part five definition, net income from a business is exactly the same. And so I'd like to see that net income from a business right there on front of a tax return. It's an easy place to pick that up if it's current and provides you with the right information.

And then I have used tax returns as well as like W2s before, because I also have like construction -- like clients working with construction, folks who might be working for different construction companies, folks that are union that might hire themselves out to various companies.

So if I didn't have that tax return and that W2, I wouldn't have known that somebody worked for a couple of different companies over the last year and that helps me figure out those that I need to either ask for tax -- I'm sorry, paystubs from or I might need to use a verification of employment, because they're going to continue to work for several different construction companies.

For self-employed individuals, often people -- and this is part of your policy as the PJ, you decide how you want to calculate this or look at this. It needs to be recent, but we found like a year or two of tax returns, getting that average of net income from a business can often be helpful.

And you can also look at any type of withdrawal of cash, assets, things like that from the Schedule C, for example, that can also be helpful. So some of you what we do -- well, we are required to use two months of source documentation in our calculations. Some of you still like third-party.

And we mentioned that this is often good for employers, some people use it with Social Security or public agencies, maybe the child support enforcement center or something like that that you're working with. So it is available to you so long as you document with the source documentation as well.

You have to have a written release from the household, as we mentioned before and it is something we're going to have to follow up with the employer or follow up with the third-party of whomever if they are unresponsive. So -- and then just document how you're attempting to reach them in the files.

Some of you work for multifamily organizations or housing authorities, etc. and you may have access to a system called Enterprise Income Verification system or EIV. It basically automates the HUD 4 and the 50058 and if you are able to use it, some people are using that for some third-party verification.

You can't solely use it on its own, as we talked about, but it can be helpful. Some nonprofits out there, it's a free service, they could use the worknumber.com. Large employers, like Walmart, Cabelas, where my father is an avid member, those large employers use the work number.

You really need to make sure that the information is current and really take a look at the last time it was updated and if it has not been updated in some time, then you really can't use it; okay? But it is something that people have talked about over time. And so it may be an option to you or you may be told by that employer, look, we use the worknumber.com.

That's actually what we typically hear. So a couple of slides here on variations in pay, things like that that we just wanted to talk about. Really, there is no like set options for you in terms of employment information in terms of that calculation. So we're going to talk about a few options.

The most common is we know a rate of pay is $15 an hour and if they work full-time every single day, they're full-time, 40 hours a week, five2 weeks in a year, we multiply that $15 by 2080; okay? Some people like to do quarterly pay. They feel like that's fair, which may take into various pay differentials, etc.

They might use quarterly pay and project forward using quarterly pay for four months. You know, we always need to keep in mind any increases in pay, such as cost of living allowances, things like that. The CPD income calculator does a good job of both pay raises and cost of living adjustment to take the mystery out of it that can help you with that.

But you decide how you want to deal with all of these in your program and make some policies. So this is an example that I just gave that we provide you with the math, $13 an hour for Mrs. Jones and how that's multiplied. You know, we also have situations where people don't work 40 hours a week; right?

So whatever the rate of pay is times the number of hours that they work per week we can do that quick multiplication here, 30 hours a week, work 40 weeks out of the year, that's it. So if not paid every week, we might use quarterly pay.

I do have some colleagues that like this, again, for people that make different pay differentials where they feel like quarterly is more fair, because it takes into account different hours worked and different rates of pay. So you can use this, but I still strongly recommend if they work full-time for five2 weeks, you do their pay rate times 2080; okay?

So this is something that often comes up. This is for non-steady pay, but there's a pattern to it. So again, I can go back to my construction guys that I know that they work for the construction company for six months out of the year, but I can tell from maybe their tax return, they also receive unemployment for the other six months out of the year.

So I'm going to add their pay plus the unemployment to get a full picture of 12 months of pay for that household. So unemployment, if they're currently receiving unemployment, you're going to verify the amount that they're actually receiving.

If they're not currently receiving, again, you can look backwards to last year, again, for those patterned people, like construction and others who are more seasonal employees. We mentioned the self-employment. I do think two years of self-employment is a good rule of thumb. There is a form in the appendix too, the technical guide.

When it says appendix, it's the technical guide for determining income and allowances in the HOME program. You can certainly use that. A good reminder here on seasonal or construction just like if we had teachers, get to know that household in terms of their pay and it may be a couple of employers, but they might --

You might need to look at verification of employment and paystubs for those employers. Cash contributions, so periodic payments that you might see in checking or savings account statements, things like that there's a cash verification form as well. I will give the quick example of my sister who's disabled.

She went into a nursing. She lived in an apartment complex and my parents paid her $200 a month for her rent and they supplemented her and you could see that like clockwork coming into her checking account statement. So we would use a cash verification form to help with that. So occasionally we get questions about what if somebody says they make no income.

And this is a household member, this is not an entire household. So a household member -- you know, I always say, make sure that you're asking every household the same type of questions, like how are you paying your rent, how are you paying your utilities, your car payment, etc.? You know, it might be that they revealed that they received cash.

Like I gave the example of my sister receiving cash from my parents. We also would recommend that if it's a common policy as well, you can ask for a certified copy of their tax return or use the transcript of their certified copy. Some of those have been very helpful with those that say that they make zero income.

And then if all else fails, you could use a self-certification form of zero income and again, it would be for that household member; okay? So hopefully that helps as well. So annual reexams of income, we're looking at reexaminations for those that are in rental housing; okay? So we have a couple of different options for rental housing.

You can continue to use two months of source documentation all day long. You could also decide, you know what, I'm going to go ahead and get a written statement from the family or it could be another government program.

So we're not doing this at initial occupancy, but we could do it on other years in the period of affordability, except for every sixth year of the period of affordability, we have to make sure we're looking at source documentation. And I have a graphic on the next slide that will illustrate that.

For tenant-based rental assistance, we're also looking at annual income using source documentation. So we're recertifying at the anniversary or at least renewal basically on an annual basis for recertifying. This is the graphic I was talking about. So hopefully this is helpful. So this provides a 20-year period of affordability.

And in that 20-year period of affordability, we have the initial occupancy, which is source documentation and it might be that the fourth year of the project you can use those other options, self-cert, or they could be grandfathered -- you could use another governmental entity doing their income eligibility for you, like Section 8 or whomever.

And then let's say Mrs. Jones moves in in the fifth year of the period of affordability, that's her move-in. So we must use source documentation, but then the sixth-year, which is this section right here, Mrs. Jones would also need to provide her income at this point and time, because it's the sixth year of the entire project; okay?

So then again, we wouldn't have source documentation required until the 12th year of the project, etc. all the way up to the 20th year. So year zero or anytime anyone does a move-in, year 6, year 12 and year 18. So that just helped to illustrate that a little bit. Let's do a quick polling question before we take our 10-minute break.

So what source of income is the most difficult? And I didn't mean to paint this in a negative light, but we really want to know what is challenging to document? Is it seasonal pay, is it business income, is it child support, Social Security assets, other or do we simply have no problems, like basically like everything is like easy-peasy?

And we do not need to provide any further guidance on any of these. So let us know and we will open the poll and you can tell us and we might be able to provide some additional guidance on these areas. What would be the top one?

Chantel Key: The poll will be closing in about 15 seconds.

Shawna LaRue Moraille: Okay. Thanks so much, Chantel. So we have some really good feedback here. The number one is seasonal pay. The second one is business income. So those are the top two and then it looks like the third might be assets, retirement income, things like that. Thank you so much.

So we are right at the top of the hour, or a minute before. We're going to go ahead and take a 10-minute break and come back at 2:10. So please join us.

[break]

Shawna LaRue Moraille: -- everyone. We are now going to talk about specifically part five in IRS and those of you that have been -- you know, raised a couple questions, any of the chat box or the questions box about clarifying particularly for Social Security, we will do so as we get started here.

You do need to know which definition of income that you're using and again, this is why it's important that you have it in your procedures and all your written agreements, etc. so that you, your staff, everyone, your partners know what you're using. So the two definitions of income are provided here.

We provided some specific links, because the technical guide is a little out of date for inclusions and exclusions of income. So we do have a resource that we linked to here on the PowerPoints. So you can pick up what today is included and what's not included in terms of income. I'm going to talk about those in a couple minutes.

And then part five does have assets and an imputed asset calculation that is required in the HOME program. And then if you're using the 1040 or IRS definition, we also link to the publication for the instructions and this is for the 2017 tax year. We do not have 2018 tax year information yet.

And what I like to do is I like to look at what is new for that particular tax year and get familiar with that each and every time. You know, in my case, I monitor files, etc., but in your case, if you're using 1040, it might be as soon as that's available, take a look at that and then change my procedures accordingly.

And probably only 10 percent of you are using the IRS definition given our experience. Most of you are using part five. So we're going to start with part five first and we look at inclusions. So this is what you include in terms of gross income. We're looking at wages, salaries, over time, commissions, tips, bonuses, anything that kind of comes with various professions out there.

I also mentioned net income from a business. So that is something that's very common. It's from self-employment and things like that as to figure out what the net income is and then something that is periodic. I mean, this is like the definition of what you include as income and I might also ask you, if you provide me with a new source, are they getting it?

Is it coming in like clockwork, like Social Security? Some people are living with annuities. They might've been injured or something like that. That is their income source. It's regularly coming in every single month for that particular household member. Payment in lieu of earnings, so unemployment, temporary assistance for needy families, that welfare assistance.

All of that is included in terms of the part five definition and it's what we typically see as well. What we include also would be any other type of welfare assistance, but not food stamps. Any type of in-kind assistance that's food, clothing, etc. we do not count and then any type of allowances, such as alimony that's received by the household or child support.

And in the case of child support, we'll just touch on that a second here, this is the amount that the household is currently receiving. So it may be different than might have occurred through some type of divorce decree or other documentation. It should be what the household currently receives in terms of child support.

And we should also make sure that we know that not everyone goes to court, not everyone can afford to go to court as well in terms of receiving child support. So cash contributions and document of cash contributions that come into the household would be important. Any type of armed service or military pay is included.

They get different pay differentials, just like medical people often receive different pay differentials, things like that, but for military pay, you do not include hostile fire pay.

And then we talked earlier about those that are temporarily absent from the household might be seasonal workers, something like that where they're temporarily absent from a household or military is another good one, but they are obviously contributing to household income, all of those things.

So those are the inclusions for part five. Exclusions for part five, this is what you don't include. So we talked before about earned income of minors under the age of 18; okay? So I worked at the Gap in high school, I did not give my parents any money. I was paying for clothing and other fun things.

So earned income of minors is not included, but you do include unearned income, such as child support paid on that child's behalf, Social Security paid on that child's behalf, welfare, etc. Income of live-in aids, so just like live-in aids, foster care, foster for children or adults, any of the income that's received for those people they are not included as household members and they're not included in terms of their income either.

So we also don't include lump-sum additions to assets. So inheritances or lottery winnings, things like that. You know, in case that bothers you, like if they won some sort of lottery and received compensation there, we often see the assets in their savings account when we get to the assets part.

So it's always included, it's just differently. Income is different than assets, the two go together to determine income eligibility.

Any type of reimbursement of medical expenses and things like that and then also, currently, today any increases in income if it happens to be a disabled household member, a certain part of their income is excluded up to 24 months as their income increases and this is at recertification only. Any type of student financial assistance, things like that we exclude that.

Hostile fire pay, just anything that's like sporadic temporary income, like grandma gives you $20, things like that, that's not income. If it is a full-time student that's not the head or co-head of household, if they're a full-time student and they work, you would only count the first $480 of their income. Adoption assistance as well is only $480.

Deferred payment of Social Security, so for example, I gave the example of my sister with the cash contributions earlier. She had to -- we had to go through legal aid and sued for back benefits for Social Security and then finally getting on Social Security.

So she received a settlement. So that settlement is not included as income, but of course, it went into her savings account and would get counted as an asset later. So that was a lump-sum addition to Social Security. Refunds, rebates by state or local law and some of these other things I've seen, such as Vista volunteers, Americorps, food stamps, those are more common.

Those are simply excluded, specifically excluded in the app; okay? So assets, so we're still talking part five assets here -- or part five definition. So we're moving on from income to talk about assets. So this is any cash or noncash item that could be converted to cash, probably savings account is like the A number one thing we see in low-income families.

One thing to know, and we got this in a course that we delivered recently, people often ask, is there any asset limit. So it's up to you as the PJ, if you want to say, we're not going to serve you if you have over $50,000 in assets available to you that you could liquify and put toward down payment assistance or whatever.

So just keep that in mind, you could have your own policy. And then the tax credit program, sometimes that's coupled with HOME doesn't include a verification of assets if it's less than $5,000, but we always document all assets no matter how small in the HOME program. So what do we include as an asset?

There's a couple things to note. We had to either look at both market value and cash value. So the market value of my home, for example, is different than the cash value. I have to convert my house to cash. So you have closing costs, I have a first mortgage. Things like that need to be satisfied.

So just keep those two things in mind that sometimes it takes a little bit to liquidate that asset. For the part five definition, and this is specific to HOME, HOME picked this up, not every program has picked this up, in the part five definition, we always do a different asset calculation called the imputed asset calculation and that's when I have a total cash value of $5,000 or more, then I take a percentage of it.

So right now nationally the percentage that's based upon this passbook rate is .06 percent. It comes out in the notice that we receive from HUD multifamily. It used to be 2 percent, now it's .06 percent. And you could also say, you know what, I'm not going to use that .06 percent, I'm going to use what the housing authority uses or you could have your own passbook rate.

But basically, it's a percentage that then is multiplied by whatever that cash value is. Sidetrack here for one second, part five has this funny rule that it looks at assets that were disposed of over the last two years before assistance that might be below the fair market value.

So we see this -- you know, sometimes when older people are moving out of their homes and looking at affordable housing as an option to them, might be affordable rental housing, if they still owned a home and they conveyed title maybe to a household -- sorry, a family member, maybe they conveyed title and transferred it for like a $1.00, we would still count the value and again, it would be the cash value of that home, we would count it as an asset; okay?

Because we want to make sure that those folks that receive our funds don't have a large amount of assets on hand and this is one of the things about the part five definition that's a little bit different. So that was part five income, assets and then a couple things about assets. One was the imputed asset calculation and one was the disposing a less than fair market value.

So now we're going to change over and talk about the IRS definition, but I want to make sure there are no questions that came in, Les, on the part five definition specifically that you would like me to answer.

Les Warner: Well, there are a lot of questions, but I'm thinking it'd probably make sense to get through also the IRS methodology and then as time allows, kind of work our way through some of these. And I'll reiterate for folks that we are going to be holding an office -- a separate office hour session.

And so that will give us the opportunity to go into more detail and revisit all of these questions that we're getting in today.

Shawna LaRue Moraille: Okay. That makes sense. And we are going to be doing some frequently asked questions as well. We know some things may take a little bit of time for us to provide a concerted answer. One person wrote in the chat box, child support in part five we're counting what the household actually received, not what was awarded.

So if they're actually receiving an amount that's less, then I would count the amount that's less. That is what's required in terms of part five. So I just want to cover that real fast, because I know that's one of a common source. So the 10 percent of you out there, maybe less, using IRS 1040 it is the long form, it's not the easy and we're really looking at taxable amount of items.

I know one of you wrote in that talked about the taxable amount of Social Security or people that receive Social Security don't file taxes. You know, that -- it depends on the amount of Social Security, but you're right, it's only the taxable amount of Social Security. So very different than part five when we talk about Social Security; okay?

So there are items that -- and those of you using the 1040 definition you are studying up and you do your taxes probably routinely for your own household, but you really need to know that booklet; okay? But in terms of the income sources that are there, you add everything together to get gross income and then you're going to take off some deductions; okay?

And I'll talk about deductions in brief. This is not adjusted income, these are simply deductions from gross, not the same thing as adjusted as we talked about. So you're going to be using the adjusted gross income for that household from IRS to determine if the program -- if the participant is eligible.

And please, you have to use the most recent 1040 instructions. The technical guide for determining income and allowances for the HOME program that came out in '05 -- 2005 was a long time ago; okay? So please make sure you're using the most recent tax booklet.

So you're going to be looking at gross income in a couple of different categories in terms of the taxable amount of wages, the taxable amount of Social Security, the taxable amount of interest on an asset. All of those things you would count in terms of gross income.

And then there are 10 different categories here of common deductions that we have seen over the last 10 years, let's say, that are deductions today. A couple of these are the most common. So those folks that have like paid alimony that they receive or student loan interest those are the most common deductions, maybe early withdrawal from savings or something like that.

You know, those are the most common in terms of deductions for the IRS definition. So we thought it would be helpful -- again, this might help those of you that are chatting in about what's different about part five versus IRS definition. So gross income of Social Security for part five, IRS 1040, it's the taxable amount of Social Security.

And if some of you have identified some of it is not taxable. Some folks that receive Social Security and they work there is a worksheet available in the tax booklet that you should be filling out. Child support, so part five, Section 8 includes child support, but in the IRS 1040, it excludes child support; okay?

Somebody else already paid taxes on their income. So basically, that's why it's not included. Alimony payments received is included in part five. IRS you include alimony payments if you happen to be that person, but if somebody is paying alimony, it's deducted and then there are other deductions, like I just showed you, as well.

And then finally, the imputed asset calculation of $5,000 or more that we talked about that's done in part five just like including the fair market value for a house for an asset -- sorry, an asset disposed of less than the fair market value over the last two years is also included as an asset.

The only time you include any type of assets in 1040 is when they are taxable, such as a savings account. So hopefully that helps in terms of comparing the definition. Most of the time if we're looking at HOME and it's a rental program and a lot of it is funded with the low-income housing tax credit program, which is LAHTC, everyone's using part five.

I would say 99 percent of the people out there in rental programs choose part five, because it's used for tax credits. If the housing authority happens to be managing your program for you, like tenant-based rental assistance, they are experts in part five. I would not tell them to use IRS, they should all use part five.

Some people do find that part five is a little bit more complicated or complex to document, but it is the definition that we know the most about and I find it easy, because there are less changes over time. I can't imagine what the 2018 tax booklet instructions will look like. So stay tuned for that.

We do find, though, that for some activities, and we just gave the example of 1040 for homeowner rehabilitation -- or I like to say owner-occupied rehabilitation, because 1040 can be really easy to document that household, because it's only the taxable amount of Social Security. We often can qualify a lot of households, same with child support, it's not included in 1040.

So we can also serve a lot of low-income people that might be receiving tax -- I'm sorry, child support as well. So the only danger is with 1040 is that you really need to understand what is considered taxable and really understand that tax booklet, which is probably why, again, not everyone uses that definition.

Les Warner: Why don't we -- before we move into the next section, why don't we address some of these questions now that we've covered both definitions. There have been a lot of questions related to tax returns and I think people oftentimes think when they're using the 1040 methodology that they're simply using a tax return.

And Shawna, I wonder if you want to talk a little bit about the tax return versus really calculating that income under the 1040 methodology.

Shawna LaRue Moraille: Okay. For a tax return, I mentioned that it can help you in terms of other income sources, household composition, etc. So I would say that in terms of what I might see in the file or want to have in the file is that just because you see a tax return it does not mean using the IRS definition of income.

The calculation worksheets are also fundamentally different for part five versus the IRS definition as well, different things are included.

The IRS form looks very similar to -- or IRS calculation worksheet looks almost identical to what you see on the 1040 form in terms of income's on top and then you have your deductions below. So they're two totally different things. Does that help a little bit?

Les Warner: Yeah. And I think we might add that it's really -- the 1040 methodology, that definition is really using what the taxable income portion of the 1040 process would be, but it's not recognizing all of the deductions after we -- you know, that are backed out of taxable income.

So it's not really that end number that you're seeing on the 1040 that is where we're looking on that. The other thing is that we --

Shawna LaRue Moraille: Okay. Go ahead.

Les Warner: Go ahead. I think the other thing that we might want to mention, a number of people have asked about if we're able to get a 12-month statement versus source documentation, and with the 2013 HOME rule, HOME required 2 months' worth of source documentation.

So that might be paystubs, it might be evidence of deposits that were being made from some of our sources of income. So you're not required to have third-party verification that would go beyond that two-month minimum requirement, but it's probably a best practice that when you can, to get that -- you know, more documentation.

And in some cases, you're able to get the verification from the employer that would provide maybe 12 months' worth of information, which can be really helpful on kind of understanding what's likely as far as things like overtime pay or seasonal increases that are occurring.

So there's a lot of good information that can be gleaned from that third-party verification to make sure that we're getting accurate information. And just the other thing I would sort of toss in on the 1040, keep in mind that when you're looking at someone's tax return, they're looking at income for the prior year and it's the sum total of what they earned.

But when we're calculating income, we are projecting forward. So if I had a really good job last year, but late in the year, that job ended, my overall income and my tax return is going to be based on that really good job and then maybe the secondary job that I got to replace it that maybe doesn't pay as well.

When we're projecting for that next year on income eligibility, we're simply using now the salary that I'm going to be earning, that lower salary, and then projecting it forward as opposed to really that form is kind of averaging things.

Shawna LaRue Moraille: That's helpful. And I just saw a couple other things that came in. So we'll just cover these briefly as well before we go into adjusted income. So in terms of net income from a business, this is a very common question, what if it's zero, you don't deduct that negative amount, it's simply zero for that business; okay?

So negative equals zero; okay? The other thing that I noticed is owner-occupied rehabilitation. The home that the household that you're serving is living in we're not counting assets associated with that structure. It's excluded from income. And then there was one other thing I was going to say.

Oh, I personally -- I know we're supposed to get source documentation, but I really like verification of employment if it can tell me about when they're going to have a cost of living adjustment or a raise or when bonuses are coming in, because not every paycheck actually includes different, depending upon the type of job, when all those things would happen.

So I like to ask the employer for that information directly if I can, but that is my choice to do and then I can take a look at the paystubs and have a fuller picture of what they make in terms of income. Anything else that you're seeing, Les, before I get into adjusted?

Les Warner: Well, there's some questions about overtime and then we also will have some folks who maybe have a pay differential. So maybe they work weekends sometimes and they get a higher rate when they're working that weekend shift. You might mention a little bit about that while [inaudible].

Shawna LaRue Moraille: So medical people do -- you know, that's an example of those that make different pay differentials. So I would figure out what is a typical rate of pay for them for the base rate of pay and then how many hours that is. I would figure out what the pay differential is if every single week they're working some weekend hours, what that is.

And I would just simply add those two things together. Other people -- and again, this is like your policy as to how you calculate. Some people say, I like to look at quarterly pay for this reason, because it takes into account what the different pay differential is over a longer period of time than just the two months of wage statements that I'm required to look at.

So your -- it's really important that you guys have procedures in place for how you're going to calculate and how your team members are going to calculate income depending upon the types of documents that you're seeing. Anything you would add to pay differentials?

Les Warner: No. I think that was good. It can be difficult just to track that down and sometimes looking at like the employer verification and then asking some additional questions on that, but I think a lot of times you're ending up having to do some averaging.

Shawna LaRue Moraille: Oh, I know one I was going to mention. So those people that are getting different sources of income these days. You know, like we have a lot of questions about Lyft and Uber drivers, etc. I mean, those folks earn a 1099. And so that 1099 should -- could also be a source of documentation for you.

You could also look at their monthly income that comes in and take an average for that month and project that forward.

So we do have some newer sources of income that no one's -- you know, there's no set guidance, just decide how you're going to deal with it when it comes into your program regardless of the source; okay? But that's just a couple things that I thought I would mention. So let's do --

Les Warner: The other thing I'll throw in there is we had a couple of questions about what if we have zero income as a statement on that? And I guess I would say that if this is an individual household member, we're usually asking questions about how they are being supported and oftentimes we'll require that they do a certification verifying that they have no income.

If this was the overall household and they're applying and they say they have zero income, and I think you have some other questions about how are you actually taking care of your ongoing expenses -- if they're applying to rent a HOME-assisted unit, how will they handle their portion of utilities even if they had some kind of a subsidy?

How are they paying for food, those sorts of things? That's -- I think when they represent that they're zero income, that raises some questions about how are they actually surviving, are we getting an actual picture of what income they have available to them?

Shawna LaRue Moraille: Right. And that's helpful. And we had a whole slide on zero income for a household member. I also included there the 4506 and the 4506T, which are available to you through the IRS that you could require. The one thing I will say is that everyone has to be treated exactly the same.

So your policy as to how to treat those that say I make no income I would make sure that the five steps that you go through are the same five steps you go through for everybody regardless of income source, because you want to make sure that it's not just, this seems really fishy and I'm just going to almost do a stakeout to try to figure out how people's income is being earned.

You know, that is not appropriate. So we only have 20 minutes left. So let's talk about adjusted income and tenant-based rental assistance. I do have a couple of resources on the last slide. Hopefully you guys are going to join us for the office hours tomorrow where we're going to show you the calculator and talk a little bit more in detail about your questions.

So let me talk about adjusted income. And again, you need to know adjusted income for tenant-based rental assistance, you need to know adjusted income for HOME-only projects where somebody goes above the low-income limit, the 80 percent limit and you have to figure out what their ability is to pay for rent.

So we are looking at five different deductions, or some people call these allowances, and the reason why you're doing adjusted income is to figure out what the household can pay toward rent and utilities.

So deductions, so the most common ones -- or sorry, the five that are eligible here, elderly/ disabled household, dependent, childcare, medical expenses or disability assistance expenses. All the following are going to fall into those five categories. Not all households get all deductions; okay? So we need to sort people into two categories.

Either it's an elderly or disabled household or it's a family non-elderly household. And we thought that this chart would be helpful for you to sort between the two. It's identical to what's in the technical guide and this is one of those that even the technical guide has changed a little bit since 2005.

We do recommend it for adjusted income, because there's only been a couple of changes. So in terms of the deductions that the household would receive, elderly or disabled, they can receive any of those deductions. Only these are family households who would receive the dependent, childcare or disability assistance expenses; okay?

So elderly/disabled, this is a household in which the head, spouse or sole member is 62 years of age or older or head, spouse or sole member is one that has permanent disabilities, they meet the Social Security Administration definition of disabled. So those are two households, they get $400 deducted from gross annual income; okay?

If you have a dependent -- and so dependents are classified as under the age of 18, could be disabled of any age or a full-time student of any age. Each dependent would -- in the household is eligible for $480. That would come off, again, of gross income. Childcare, so this has to be like reasonable expenses for childcare not reimbursed through another type.

It's for children under the age of 12 and it basically enables the household member to go to work, take classes, things like that. So you could deduct that for childcare. Medical expenses, this is only for elderly/disabled households. It's basically anything that's unreimbursed medical expenses and it has to be in excess of 3 percent of annual income; okay?

So you're only deducting that small number in terms of medical. Typical medical expenses are the copay that you pay at the office, services that you receive at a hospital, going to the dentist, eyeglass expenses, live-in aids, those types of things, equipment, all of those things. It might also be those that have some type of medical payment that's due to a hospital.

Those could also be deducted. Disability assistance, it's the same 3 percent of income if it's not -- you know, that can be deducted. It's to take care of the disabled person while it enables some other family member to work or for themselves to work as well.

So they might need some assistive device for them to work at their job or it might be that there are two household members, one is disabled. It might be some type of care situation for the disabled household member to allow maybe their parent to work, things like that.

So they're only deducted if they're reasonable, they're not being reimbursed from another source and it cannot exceed the amount of income for the person who's actually working. Like that doesn't make any sense. So it needs to be less than the amount that the person who's working earns and then again, it's only the excess amount of annual income can be deducted.

Some families have both medical and disability assistance expenses. So they are added together and in that case, they could exceed the 3 percent of annual income and if it does, that is what's deducted; okay?

So if -- this calculation sample that we have here, we've got $3,000 in disability expenses and $4,000 in medical, you combine the two and you could deduct 7 percent so long as that is 3 percent of annual income; okay? And if you do the calculation, you have to have a lot of annual income to deduct a lot of these expenses, but sometimes it can be helpful.

That is adjusted income in brief. And please, if you're not doing tenant-based rental assistance or don't have a household that's above 80 in a HOME-only rental unit, you don't need to know what just came out of my mouth. The technical guide is your friend and you can take a look there.

We wanted to touch on briefly if you were doing tenant-based rental assistance, that you're going to use that adjusted income calculation, you're doing to gross, then you've got adjusted, then you're going to figure out what the tenant-based rental assistant amount is for both what the PJ would pay, what the household would pay in terms of total tenant payment, the --

You can still use the Section 8 voucher calculation in the -- that's in the -- what's in the technical guide and also in the CPD income calculator. You could also have another local model, like we've seen some folks to have a local model that they've designed. You can certainly use that. We don't really see the certificate model, which is sort of the old-school Section 8.

We usually don't see that used. And the subsidy amount is based upon there's always a minimum tenant payment. It's typically a percentage of monthly income even if it's like $10. So there's a minimum tenant payment and then what's the maximum tenant-based rental assistance. So it's the difference between the rent standard and 30 percent of adjusted income.

So that becomes like the max that the PJ or the administrator could actually pay. So that's TBRA. Again, I would also recommend the technical guide.

There's this whole section on the voucher and then certainly, you want to check back with us tomorrow when we show you the calculator itself and do some sample calculations, depending upon our time and depending upon how many questions you all have for us as well. Any clarifications on adjusted income that came in, Les?

Les Warner: No.

Shawna LaRue Moraille: Okay. I'm not surprised. Any questions on tenant-based rental assistance that might have come in?

Les Warner: Not that I've gotten to yet.

Shawna LaRue Moraille: Okay. I -- given -- you know, we've done this course numerous times. Usually, people are still thinking about gross annual income. So I get it.

Les Warner: So there's lots and lots of questions. I'm just kind of working my way through. I think it would be important for folks to understand that there are going to be questions that we will not have answered in today's webinar since we don't have much time left, but that we will be -- Shawna and I will be spending some time with these questions prior to our office hour.

Some of these we probably need to do a little bit of research on, but we will be kind of going back over these trying to make sure that all of these areas are covered and also where we kind of see common themes, trying to put together some responses that will be helpful for folks kind of generally.

Shawna LaRue Moraille: Okay. So I did want to go ahead and show the front page. Can you folks see my screen hopefully?

Les Warner: Yeah.

Shawna LaRue Moraille: Okay. I did want to show just a couple things on the landing page for the calculator since we did have about 10 minutes. And I know not all of you are registered for the office hours tomorrow even though we strongly recommend that. This is on the HUD Exchange and this is -- sorry about that.

This is the income eligibility calculator and the calculator exists here to help you with math. And it's not just HOME, but many of the other programs use the calculator.

On the landing page -- and you can get to this just by the little eyeglass here and just type in CPD income eligibility calculator, but there's a user manual here that we update maybe twice a year and it actually helps you with what -- how do I fill out the fields in the calculator, there's also some good definitions in there.

A couple things that we've clarified over time, because we haven't been able to update the technical guide, I really strongly recommend you look at the user manual. And for those of you that wanted to know those MSAs, they're right there; okay? We give you all of them in that user manual.

We also linked to all the income limits, including the HOME income limit. There are a couple of older webinars that we did to demo the calculator. We're going to be redoing those in the future. So those are a couple years old. We always tell you which income limits are in effect and the effective date on the landing page.

And then I just wanted to show the dashboard real fast as well, Les, in terms of there are many different calculations that you can do in here. We always talk about what's in effect is 2018 and we also talk about how those darn 30s, those extremely low-income, may not be the same as the Section 8 definition. We cover it here and kind of why we cover it here.

But I just wanted to let folks take a look at that and if I were to start a new calculation for HOME, I would just go into this new calculation and start that, which I will do tomorrow. So we provided you -- hopefully you can see my PowerPoint again. We provided you with discrete links here to the calculator, to the user manual.

We do recommend that you've got 15 minutes that you put aside to walk through the calculation, you can save, you can print to PDF, you can print to PDF the income limit page that you're using for your jurisdiction as well as the calculation for the household. So many different places that you can actually PDF and take a look at.

So we wanted to -- also, this will help us tomorrow. We would like to do a polling question here. This is our final polling question. We would like to know, do you use the CPD income calculator? And we should open up the polls right now. Yes, of course, is the option number one. Two is we have no idea. Three is no, but looks so inviting, I might use it in the future.

And this will help us kind of gauge maybe our time tomorrow. We have an hour and a half with you guys at the most. We want to make the best use of our time. So if all of you have seen the calculator, then maybe we'll take more questions.

If some of you haven't, then this will also help us as well. So the polls are open. Chantel, do we have any results yet?

Chantel Key: Yeah. About half of our participants have responded. So I closed down the poll and it will be closing in about 15 seconds.

Shawna LaRue Moraille: Great. Thank you so much. I'm hoping for a yes, of course. So it looks like probably a fifth of you use the calculator. So about 20 percent of you. You do have -- the rest of you who voted said no, you had no idea, but many of you chose the most fun answer, which is no, but looks so inviting that I might use in the future -- or may use in the future.

So this tells us, Les, that we're going to need to spend a little bit of time on this tomorrow and actually show a couple of calculations. So thanks, everyone for your feedback. We really appreciate it.

Les Warner: So two items I will mention here, we have a lot of questions about the PowerPoints. I believe that they were sent out. We sometimes have some of these that bounce back from your system. Chantel, are you able to confirm were the PowerPoints resent?

Chantel Key: Yes. They were sent out maybe about an hour and a half ago.

Les Warner: Okay. So if you find that they have not come through your system, one of the things you may want to do -- make sure is that they've not been blocked by your system, but I think we can also -- you know, they are going to be posted along with this webinar. We have to get transcripts completed for this before that posting goes up.

So there'll be a little bit of a delay, but it won't be particularly lengthy. We -- part of the reason of posting this webinar is because we recognize there's an ongoing need for some training on income determination.

So we're hoping that you will use this and maybe use the PowerPoint slides or route people to the HUD Exchange to be able to review that when you have new staff or new property managers that might need this training. We will be, tomorrow, going through questions and trying to make sure that we can generally try to wrap up questions on this and get them answered.

There were a number of questions that came through that were really related to -- generally, to rental projects. They weren't really income questions, they were about what do you do with rent or how do we adjust things.

And so you may want to attend the rental compliance webinars, which are going to be on the -- I believe the 10th and 11th of July and you can register for those on the HUD Exchange.

Shawna LaRue Moraille: Okay. That's really good to know. And we will look overnight -- Les and I are furiously busy. We'll look overnight and prepare for tonight. We did want to leave you with a couple of other links here. This is the direct link to the technical guide, which is good for tenant-based rental assistance as well as for adjusted income.

And also, the occupancy handbook we link here. So some of you might have experience in working multifamily housing. Chapter five of the occupancy handbook change four has some kind of general rules of thumb, things that you could adopt, but just know that it is not uniformly adopted for HOME.

So I gave the example earlier about foster adults was like a change with change four. We have not picked that up in terms of the HOME program. So just be careful with its usage, but some of the sample calculations are good to use and could be a nice basis for your procedure. So we wanted to link to that as well; okay?

We also wanted to give you the main page for the HOME program. Also, the income limits, that particular page, PDFs by state are there. So you can go right into your state and pull those down. We also have prior years as well. We also wanted to make you aware of there are some and they're a little -- a lot of them are from 2010, but we do have some income forms and also a direct link to IRS from this section. We will be adding some additional sample forms in the future to this page. So it's a good one to bookmark for the future.

And then also, if you did not hear about this webinar series or this -- couple webinars coming up, you may not be on our listserv in terms of receiving mailing list items on the HOME program.

So we always encourage you to sign up for the mailing list and it's really fast, you tell us like what types of programs you're interested in, you would obviously select HOME and then they would start getting listserv messages about training offerings, resources that are updated as well.

We also wanted to make sure that you're aware there was this Housing Opportunity Through Modernization Act, or HOTMA. I wish I was a HOTMA. Sorry. But there are changes that are going to be coming through future rulemaking that affect the part five definition. So stay tuned, but we thought we'd provide some additional guidance.

HOTMA also covered things like some changes to the Housing Opportunities for Persons with AIDS program, like the formula. I mean, there are several changes that aren't even related to HOME that HOTMA kind of covered, but we wanted to make sure that you're aware that -- and we're on track for tracking any type of rulemaking related to income eligibility.

So we would be remiss not to do that. A couple things, I would make a list of to-do items. I'd look at my application, I would look at my procedures, I would look at my written agreements, have I defined my income definition, do I have a good application that covers all household members.

So I have that question that Shawna recommended, do I expect my household composition to change over the next 12 months. You know, what do I have in terms of calculation instructions for my team that provides sample calculations? Do I always use that rate of pay times 2080 hours? You know, what am I doing related to my calculations?

We definitely would encourage you to develop your own kind of forms and templates. Lots of state housing finance agencies have good forms. Just know that they may not be specific to HOME. So just be careful. We would always recommend using the CPD income eligibility calculator if you have HOME calculations that you'd like to do.

You should be training your owners, managers, partners on income eligibility. At one point, the State of Texas did income eligibility training once a month down there in Austin. So it's incredibly important. And then do some self-auditing, review your files, make sure they're accurate and complete.

If you have any questions, we're -- we talked about taking those tomorrow. We'll look at what you've already submitted. You will [inaudible] -- sorry, I cut out. You will receive an email with the evaluation link. So you're not able to tap this link now, but you'll get it right after the course. We would love to hear from you in terms of your needs.

So let us know what your needs are and also, your review of this training today. And then your field office staff are there to help you as well. So thanks, everyone, appreciate it. Thank you Les and Chantel, as always, it's been a pleasure. Have a wonderful day, everyone.

Les Warner: Thanks, everybody.

(END)